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SIPDIS

SENSITIVE

STATE FOR EAP/BCLTV AND EB/TPP/BTA/ANA JBELLER
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TREASURY FOR OASIA

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TAGS: [ETRD](#) [VM](#) [WTRO](#) [BTA](#) [WTO](#)

SUBJECT: AMBASSADOR'S MEETING WITH MOT VM TU ON WTO

SENSITIVE BUT UNCLASSIFIED

Ref: State 133130

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11. (SBU) Summary: On July 19, the Ambassador met with Vice Minister of Trade Luong Van Tu at the VM's request. Both agreed on the need to maintain the momentum on Vietnam's WTO accession following the great progress made in the June talks as well as during Prime Minister Phan Van Kai's visit to Washington. However, Tu acted very surprised to hear that the U.S. side would not be able to come to Hanoi in July or August and requested that the Ambassador convey Vietnam's offer to come to Washington. The Ambassador agreed to do so, but cautioned that tight schedules of key USTR negotiators offered little hope of a bilateral session before September. Tu was clearly stunned to learn that the United States now believes that Vietnam should work toward an early 2006 accession date. Both he and the Ambassador acknowledged the importance of synchronizing timetables and staying in touch on the issues. Since Tu stated that a number of issues, particularly on the multilateral side, had been covered in the documents submitted earlier in the week, it would be helpful to analyze the contents so that we can provide feedback quickly to the Vietnamese. On July 21, Deputy Prime Minister (DPM) Vu Khoan requested a meeting with the Ambassador on July 25 without indicating a specific topic for discussion. We believe that the DPM's request may in response to the Ambassador's meeting with VM Tu. End Summary.

12. (U) The Ambassador, accompanied by Acting DCM, attended a lunch hosted by Vice Minister of Trade Luong Van Tu on July 19. Also present from Ministry of Trade (MOT) were Director General of the Americas Department Nguyen Cam Tu, Director from the Office of the National Committee for International Economic Cooperation Nguyen Van Long and Deputy Director for Multilateral Affairs Luong Hoang Thai.

13. (SBU) The Vice Minister began by thanking the Ambassador and Embassy staff for their support in the successful visit of Prime Minister Phan Van Khai to the United States. He expressed the desire that the momentum achieved on Vietnam's accession to the World Trade Organization, both in the bilateral negotiations preceding the visit and in President Bush's statement of support to the Prime Minister, would continue. In that spirit, Vietnam had sent documents for the next Working Party (WP) to the Embassy the previous day. These documents had included the responses from the June negotiations on key issues including trading rights, industrial subsidies, and state owned enterprises and equitization. VM Tu noted that he had sent letters both to the Ambassador and to Deputy USTR Josette Shiner seeking dates for another round of bilateral negotiations in July "as the United States had proposed," but so far, had received no response.

14. (SBU) Confirming the receipt of both of those letters, the Ambassador explained that he had conveyed both of them to USTR. The Ambassador noted that the two sides, especially Vietnam, had been working very hard on these negotiations and at a very high pace. In the midst of these efforts, lines of communication had become twisted and he welcomed this opportunity to try to straighten them out. After the progress achieved in the entire relationship in the past year, it is important that the two countries not end up with misunderstandings that cause problems. For example, USTR has not yet had time to digest and understand the new documents for the next WP. USTR acknowledges the receipt of the WP comments and revised offers on goods and services. USTR is working on a revised tariff request that it hopes to send soon to Vietnam.

15. (SBU) Stressing that the United States wants Vietnam to become a WTO member as soon as possible, the Ambassador noted that President Bush had made clear to the Prime Minister that the United States is prepared to be Vietnam's advocate in this process. An accession approval for the

United States has many aspects including a vote by the U.S. Congress on Permanent Normal Trade Relations (PNTR). To ensure a successful outcome, before submitting anything to Congress, the U.S. Administration needs to ensure that there is a complete package that will not attract opposition. This means that implementation of the Bilateral Trade Agreement (BTA) must be clean and complete. Vietnam must have brought all of its relevant laws and regulations into compliance with the WTO. Moreover, Vietnam's WTO commitments must exceed the current BTA commitments. The U.S. Administration must be able to show progress beyond the BTA. The WTO commitments must also be acceptable to the U.S. business community whose support Vietnam will need for the PNTR vote. USTR has consulted with Congress and believes that the best time to present the PNTR package would be early in 2006.

16. (SBU) The Ambassador noted that the two timetables of the two sides were not synchronized and said it is important to consider how to solve this. Vietnam has been using the Hong Kong Ministerial as its accession target date. This target has been very effective and admirable. The progress made so far would not be possible without such an ambitious target. The United States estimates that two years of work have been compressed into nine months, thanks to this target. He added that this achievement had entailed a high price in terms of hard work and effort for the Vietnamese government staff involved. However, there is no technical reason to link an accession to a Ministerial meeting, he explained. In fact, accessions can be granted at WTO meetings that take place every two months. Thus, if the United States and Vietnam can sustain the current pace of work and Vietnam can deliver its commitments, there is no reason that Vietnam could not accede early in 2006, he concluded.

17. (SBU) The Ambassador went on to say that at the last bilateral wrap-up meeting in June, USTR had said it would try to come to Hanoi, but both Deputy USTR Shiner and ASUTR Dwoskin had pointed out that it would be hard to do. Although they tried to make it happen, they had asked the Ambassador to inform the Vice Minister that coming to Hanoi in July will not be possible. USTR also considered coming in August, but that is the worst possible month in Washington because of summer holidays and it will not be possible for them to come at that time. Instead, they would like to propose a meeting in Geneva in September at the time of the next WP meeting. At that time, the two sides would hold intense bilaterals and work on the text of WP report with other WP members. The pressures that make a meeting in July and August difficult will not be as severe in the fall so it will be easier for USTR to consider times for follow up meetings then. In the meanwhile, the lead U.S. negotiators for various issues would be willing to meet for sector discussions in Washington, Geneva, or elsewhere.

18. (SBU) Pointing out that the BTA covers eight sectors and 62 sub-sectors, the Vice Minister noted that Vietnam's WTO offer had included more by covering ten sectors and 114 subsections on services. On goods, the BTA includes 300 tariff lines, whereas the WTO offer includes 10,000 lines. Moreover, Vietnam had accepted a number of sectoral commitments in such areas as the Information Technology Agreement (ITA), chemicals, and civil aircraft. In contrast, the Chinese had made WTO commitments in only nine sectors and 90 to 92 subsectors. Thus Vietnam's offer had exceeded that of China, he stressed. He implored the Ambassador to understand that the Government of Vietnam had made great efforts to open its market to U.S. business.

19. (SBU) The Ambassador acknowledged that Vietnam's expansion into other sectors was impressive. He stressed, however, that the concern was in areas such as telecommunications and financial services where the two sides disagreed and hence the scope of Vietnam's offer was not satisfactory. The Vice Minister replied that he hoped the two sides could narrow the gap and reach a conclusion. The Ambassador agreed that the June talks had narrowed many gaps in service sectors such as energy and environment. Ambassador Shiner had said that the end was in sight and the finish line was visible, he noted. At this point, the U.S. side believes that reaching a bilateral agreement would not be as difficult as closing out the multilateral negotiations. For that reason, it would be important to focus on making September's WP meeting a success.

110. (SBU) Turning to a more detailed presentation on the June bilateral discussions, the Ambassador said that there was more to do on telecom and financial services. As for goods, the two sides have agreed to 85 percent of the agricultural tariffs under discussion. But the remaining 15 percent includes the issues critical to the United States where a show of flexibility by Vietnam would be useful. The United States intends to send a revised request soon. As for non-agricultural goods, there was a good exchange on priority and sensitive areas that should help both sides

understand their differences. The United States is analyzing Vietnam's last offer and hopes to be able to narrow the differences once this has been completed. It is also very important for Vietnam to bind its tariffs at low applied rates.

11. (SBU) Enacting legislation for the WTO is an essential step since it would take care of BTA implementation requirements, form the basis for a successful PNTR vote and set the stage for successful WTO entry, the Ambassador continued. Vietnam has an ambitious schedule that it must adhere to as much as possible. The United States needs to be able to get comments on draft laws to Vietnam in a timely manner, he acknowledged. U.S. experts have provided comments on Vietnam's draft laws on IPR and investment. They are currently working on comments on additional legislation. Noting that the United States had provided a draft checklist of the status of legislation to Vietnam in June, the Ambassador asked for confirmation that it was accurate. He solicited input on whether there were ways to improve the format to make it more useful.

12. (SBU) The Ambassador then took up four specific multilateral items, which he acknowledged might have been addressed in the draft WP documents Vietnam had submitted the previous day. In June, the United States had noted that the transitions for trading rights were longer than those in the BTA and thus would not be viable for a successful PNTR package. Good discussions in Washington on SOES and STES had helped clarify our outlook on them considerably. As a result, the United States is in a better position to understand the key issues involved and looks forward to receiving Vietnam's comments on the paper provided in June. Resolving the prohibited subsidies issue is essential and the United States will look for suggestions in the WP documents. The United States has also provided comments on Vietnam's draft IPR law. Discussions with U.S. firms and the Congress have made clear that full TRIPS implementation by accession is essential.

13. (SBU) The Ambassador said that he had been urging Washington to have this kind of conversation because he was not sure that the two sides had spoken this directly on timing before this. He pledged to do all that he could to be sure that this sort of clarity is maintained and that each meeting will lead to a clearer view of what the two sides need to do. In that spirit, he called on the two sides to use the next six to seven weeks to exchange information and narrow their differences to a point where the next round could perhaps be the final round. However, having negotiations take place before doing the necessary preparatory work is sure to lead to frustration, he cautioned. Progress in these negotiations is not just a question of sitting down and talking, he stressed. Based on his understanding, the U.S. team has been working more intensely with Vietnam than with anyone else over the past year. That demonstrates the U.S. commitment to Vietnam's accession, which USTR Ambassador Portman had reaffirmed during his meeting with PM Khai, will be maintained.

14. (SBU) The Vice Minister responded that it was helpful to exchange information and to speak frankly. He agreed that the U.S. team had made great efforts with Vietnam in the seven rounds. Regarding multilateral issues, he noted that Vietnam was committed to full TRIPS implementation after accession and had received useful comments from the U.S. side for the final draft of the IPR law that were being taken into consideration in revisions. He noted that Vietnam intended to complete the WTO laws and decrees this year and had completed some 25 already with another 14 set for the October-November legislative session. One advantage is that the National Assembly and the government both agree on the agenda. He interjected his expression of appreciation for the good work that the USAID-funded Support for Trade Acceleration (STAR) project is doing to help with this legislative review. On trading rights, he noted that there had been progress in the new offer submitted in July, which now is better than the BTA. Regarding SOEs, he pointed out that only about one quarter of Vietnam's GDP comes from SOEs while the joint ventures, private firms, and foreign direct invested enterprises contribute the rest. (Note: Official GVN and other estimates put this at over 30 percent. End Note.) Noting Vietnam's commitment to implement fully the BTA, he said that one or two issues were not yet implemented, but a diplomatic note expressing a commitment to full implementation had been sent to the Embassy. (Note: We are checking on what he was referring to. End note.) He pledged to assign a point of contact for trading rights issues the following week and provide this information to DUSTR Shiner, as promised during the June bilateral meeting.

15. (SBU) Tu went on to say that USTR's new negotiation schedule is very "delayed." While he had understood the Ambassador's explanation, he wished to express Vietnam's desire to hold the negotiations sooner and offered to fly to

the United States if the U.S. side was too busy to go elsewhere. Keeping the negotiations going continuously could lead to a quicker conclusion, while prolonging the process and seeing changes in personnel could delay closing. Therefore, in the spirit of the close bilateral relationship between Vietnam and the United States and the support expressed by President Bush in June for Vietnam's WTO accession, he requested that the Ambassador convey a proposal for Vietnam to go to Washington later in July for another round of bilateral negotiations. The Ambassador replied that he would be happy to convey the request, but he held little hope that it would be possible. Tu responded that he understood the U.S. difficulties, but still requested that the United States give Vietnam priority. While Vietnam was small for the United States, these discussions were very important to Vietnam.

16. (SBU) The Ambassador replied that the issue was not small for the United States. If it were, the U.S. team would not be working as hard as it is. The United States views Vietnam's accession as important because it is setting the stage for the trading relationship of the future. The comments on timing that he had conveyed are very measured and serious, the Ambassador added. He went on to say that the United States would continue to work very hard with Vietnam, but that there is a need to look at and adjust Vietnam's schedule. He stressed that this did not mean in any way that the United States would stop working on the accession. The Ambassador noted that he would be in Hanoi all summer and available to have further conversations such as this one, but he can be a conduit, not a negotiator.

17. (SBU) Reminding VM Tu that passing new legislation was one of the biggest hurdles remaining, the Ambassador underscored the need for WP members to see drafts of laws for the fall session in advance so that they can have time to provide comments. Tu promised to provide draft laws to the WP and noted that as required in the Law on Laws Vietnam would solicit public comments and invite legal experts from the United States and European Union to participate. He expressed confidence that Vietnam's lawmaking process, which involves international experts, was better than that of China.

18. (SBU) The Ambassador reiterated that there was no way around the PNTR legislative issue. The Administration is not ready to give a PNTR package to Congress, so there is no way to complete Vietnam's accession until early in 2006. Asked whether there was any way to advance this schedule, he replied that an earlier date was very unlikely because of the other demands on Congress. Acknowledging that the issue was very important for Vietnam, the Ambassador pointed out that just as USTR has to deal with other negotiations and trade issues, the U.S. Congress has to deal with other issues. The United States believes that by the time the package is ready, there will be no space on the legislative calendar until early 2006. He cautioned against trying to save space in the calendar since that would risk losing credibility to Members of Congress if, in the end, the package is not ready in time.

19. (SBU) VM Tu agreed to synchronize coordination with the U.S. side and wanted more help in getting Vietnam's message out since Vietnam was weak in "propaganda." The Ambassador observed that the Prime Minister's trip had gone a long way towards changing that by increasing America's understanding of Vietnam today. More progress in this area will be needed before the PNTR vote occurs, he noted. That vote will be an occasion to review the trade relationship and other aspects of the relationship so it will be a chance for people to express viewpoints that may affect the vote. Because of this, having a well-coordinated and complete PNTR package is vital. A solid package will help garner support from the U.S. business community, Congress and others, thus making it easier to neutralize opponents. Some are certain to oppose PNTR because of their concerns that progress on human rights and religious freedom has been inadequate, but it is important to ensure that there is no opposition on issues like IPR or trading rights. Since the issue of PNTR for Vietnam comes at a time when there is considerable debate about U.S. trade policy, many in Washington will look at any new trade agreement with a critical eye. The Ambassador said he was confident that the Vice Minister would report on this conversation to others in Vietnam who are interested such as Deputy Prime Minister Vu Khoan. He called for close coordination with Vietnam on these issues in the coming months.

20. (SBU) Comment: The Vice Minister and his staff looked stunned both when we noted that there would be no meeting in July and when we outlined a timetable for an early 2006 accession. It would be helpful to look carefully at the latest tranche of documents to determine whether what Vietnam has done is close or not to what is needed. We will continue to try to maintain close touch with our Vietnamese colleagues. On July 21, Deputy Prime Minister Vu Khoan

requested a meeting with the Ambassador on July 25 without indicating a specific topic for discussion. We believe that the DPM's request may be in response to the Ambassador's meeting with VM Tu. End Comment.

MARINE